IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF IOWA
CENTRAL DIVISION

RANDALL S. FERMAN and EXTREME HUNTING SOLUTIONS, LLC, Plaintiffs, vs. JENLIS, INC. and DANIEL S. AMUNDSON Defendants.	**No. 4:16-cv-00074 – JEG** **O R D E R**

This matter is before the Court on Motion by Defendants Jenlis, Inc. and Daniel S. Amundson (jointly, Defendants) for attorney's fees against Plaintiffs Randall S. Ferman and Extreme Hunting Solutions, LLC (jointly, Plaintiffs) pursuant to 17 U.S.C. § 505. The parties have not requested a hearing, and the Court finds a hearing is unnecessary. The Motion is fully submitted and ready for ruling.

I. FACTUAL AND PROCEDURAL BACKGROUND

On March 18, 2016, Plaintiffs filed a one-count Complaint alleging infringement of Plaintiffs' copyright in violation of 17 U.S.C. §§ 106 and 501 (the Copyright Act). Plaintiffs requested monetary and equitable relief. On April 19, 2016, Defendants filed a Motion to Dismiss the Complaint. Defendants' Motion to Dismiss was granted on August 18, 2016. On September 2, 2016, Defendants filed the present Motion for an award of $23,232.90 in attorney's fees and non-taxable expenses pursuant to 17 U.S.C. § 505, which provides in relevant part that in a copyright infringement action "the court may . . . award a reasonable attorney's fee to the prevailing party as part of the costs."

II. DISCUSSION

"The American Rule is that parties must bear their own costs absent a specific statutory provision shifting them." Aromatique, Inc. v. Gold Seal, Inc., 28 F.3d 863, 876 (8th Cir. 1994). Under the Copyright Act, district courts have broad discretion in awarding fees to the prevailing party. See Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 (1994) ("Prevailing plaintiffs and prevailing defendants are to be treated alike, but attorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion.") "Awarding attorney's fees to a prevailing party is a matter for the district court's equitable discretion, to be exercised in an evenhanded manner by considering factors such as whether the lawsuit was frivolous or unreasonable, the losing litigant's motivations, the need in a particular case to compensate or deter, and the purposes of the Copyright Act." Action Tapes, Inc. v. Mattson, 462 F.3d 1010, 1014 (8th Cir. 2006) (citation and internal quotation marks omitted).

The Supreme Court has articulated several non-exclusive factors that should guide a court's decision to award attorney's fees, including "frivolousness, motivation, objective unreasonableness[,] and the need in particular circumstances to advance considerations of compensation and deterrence." Kirtsaeng v. John Wiley & Sons, Inc., 136 S. Ct. 1979, 1985 (2016) (quoting Fogerty, 510 U.S. at 534, n. 19) (alteration in original). Courts should give substantial weight to the objective reasonableness of the losing party's position, but must also give due consideration to all other circumstances relevant to granting fees. Id. at 1983. "Although objective reasonableness carries significant weight, courts must view all the circumstances of a case on their own terms, in light of the Copyright Act's essential goals." Id. at 1989. Among these goals are "two subsidiary aims: encouraging and rewarding authors' creations while also enabling others to build on that work." Id. at 1986.

Attorney's fees are not to be awarded whenever a party prevails on a dispositive motion. See Killer Joe Nevada, LLC v. Does 1-20, 807 F.3d 908, 911 (8th Cir. 2015) ("Attorney's fees . . . are not awarded to the prevailing party automatically or as a matter of course.") As the Supreme Court observed in Kirtsaeng, "[c]ourts every day see reasonable defenses that ultimately fail (just as they see reasonable claims that come to nothing)." 136 S.Ct. at 1988.

Therefore, the fact that Plaintiffs' complaint was dismissed pursuant to Rule 12(b)(6) is not sufficient grounds to award attorney's fees to Defendants pursuant to § 505.

As indicated, the Court must give substantial weight to the objective reasonableness of Plaintiffs' position. Defendants contend Plaintiffs' claims were objectively unreasonable, citing language from the Court's previous order on Defendants' motion to dismiss as to whether Plaintiffs' and Defendants' works were substantially similar. Because Plaintiffs' claims failed under Federal Rule of Civil Procedure 12(b)(6), Defendants suggest, an award of attorney's fees is appropriate in this case.

Although the Court previously stated that "a reasonable observer could [not] find the Jenlis Sign substantially similar to the Ferman Sign," see ECF No. 15 at 17, the Court did *not* find that Plaintiffs' claims, in and of themselves, were unreasonable. Indeed, taken to its logical conclusion, Defendants' argument entails that when a court finds two works are not substantially similar under a reasonable observer test, the court also finds that the plaintiff's claims were unreasonable. However, conflating the test for substantial similarity, which goes to the merits of a plaintiff's claim for copyright infringement, with the test for an award of attorney's fees, which goes to the plaintiff's conduct and to advancing the purposes of the Copyright Act, places a thumb on the scale in favor of prevailing defendants, which is improper under Kirtsaeng. See 136 S.Ct. at 1988. Therefore, the Court's previous determination on substantial similarity does not determine whether Plaintiffs' claims were objectively reasonable.

Considering all the circumstances of this case, the Court cannot conclude Plaintiffs' claims were objectively unreasonable, nor that Plaintiffs' lawsuit was frivolous. Although Plaintiffs did not ultimately prevail on their claims for copyright infringement, their claims had a rational, colorable basis in both fact and law. See Hartman v. Hallmark Cards, Inc., 833 F.2d 117, 123 (8th Cir.1987) (affirming denial of attorney's fees to prevailing defendant when "complaint was colorable and not baseless"). Because the Court finds Plaintiffs' claims , while thin, were objectively reasonable, this factor weighs substantially against an award of attorney's fees.

Neither can the Court conclude that Plaintiffs conducted themselves unreasonably in the course of this litigation. Defendants press that Plaintiffs demanded a settlement of $5000 and a liquidated damages provision for $100,000 as evidence of unreasonable conduct. However, the Court cannot conclude that Plaintiffs' settlement demand, which does not strike the Court as unduly large, is unreasonable given the commercial nature of Plaintiffs' copyrighted works. Nor can the Court conclude that Plaintiffs' request for a liquidated damages clause was unreasonable, since Plaintiffs had a justifiable interest in avoiding the expense of re-litigating the same dispute if the proposed settlement agreement were breached. Based on these facts and the Court's familiarity with the parties and the litigation of this case, the Court cannot conclude Plaintiffs have acted unreasonably or with an improper motivation. See Killer Joe Nevada, 807 F.3d at 912 (holding the district court's finding that the plaintiff lacked improper motivation was not an abuse of discretion). Therefore, this factor weighs against an award of attorney's fees.

Further, the Court finds there is no need in these circumstances to advance considerations of compensation or deterrence. Plaintiffs contend that neither they nor their counsel have any history of filing numerous or overly aggressive copyright suits, which Defendants do not dispute. Defendants do not present any argument as to the need for compensation.

Finally, the Court finds that an award of attorney's fees is unnecessary to advance the Copyright Act's subsidiary aims of encouraging and rewarding authors' creations while also enabling others to build on that work. Kirtsaeng, 136 S.Ct. at 1986. Adhering to the American rule will strike an appropriate balance between these goals.

Because the Court has concluded that Defendants will not be awarded attorney's fees, it is unnecessary to address Defendants' arguments regarding the reasonableness of the fees.

III. CONCLUSION

For the reasons stated, Defendants' Motion to for Attorney's Fees and Non-Taxable Expenses, ECF No. 19, is **denied**.

IT IS SO ORDERED.

Dated this 5th day of December, 2016.

JAMES E. GRITZNER, Senior Judge
U.S. DISTRICT COURT